

VZCZCXYZ0003
RR RUEHWEB

DE RUEHWL #0459/01 1662354
ZNR UUUUU ZZH
R 152354Z JUN 06
FM AMEMBASSY WELLINGTON
TO RUEHC/SECSTATE WASHDC 2901
INFO RUCPDOG/USDOC WASHDC 0058
RUEHBY/AMEMBASSY CANBERRA 4449

UNCLAS WELLINGTON 000459

SIPDIS

SENSITIVE
SIPDIS

STATE PASS USTR-BWEISEL
STATE FOR EAP/ANP-DRICCI, EB/TPP/MTA-MBGOODMAN AND
EB/TPP/MTA/MST-TNISSEN
COMMERCE FOR ABENAISSA/4530/ITA/MAC/AP/OSAO

E.O. 12958: N/A

TAGS: [ETRD](#) [PGOV](#) [PREL](#) [NZ](#)

SUBJECT: NEW ZEALAND TAKING LOOK AT WTO GOVERNMENT PROCUREMENT
AGREEMENT

¶1. (U) Summary: Urged by members of the New Zealand business community, the New Zealand government has agreed to review its decision not to join the WTO Government Procurement Agreement. However, government officials expect the review to show that the government's costs of complying with the agreement would exceed the benefits that New Zealand companies could expect to gain through increased access to other countries' government procurement markets. End summary.

¶2. (U) According to a Ministry of Economic Development official, the WTO Government Procurement Agreement (GPA) is so highly prescriptive that it would require New Zealand to re-regulate its already deregulated and decentralized public sector management regime. Since 1992, New Zealand has had no legislation regarding government procurement and, therefore, no requirement that government purchasers favor domestic products over foreign-made products, said Rory McLeod, manager of the ministry's International Technical and Regulatory Coordination Team. There are no government-wide procurement procedures. Instead, purchasers are guided by government policy that advises them to make decisions based on "value for money." McLeod said cost-savings -- not the product's origin -- is the determinant of purchasing decisions. Underscoring that principle, department heads must fulfill performance agreements that include the containment of costs.

¶3. (U) Thus, New Zealand already provides open access to its government procurement market, McLeod said. By contrast, the GPA is less liberal, setting thresholds for the value of purchases covered by the agreement and allowing members to bilaterally negotiate exclusions of purchasing entities and industry sectors. In addition, the agreement would require procedures that would raise New Zealand's administrative and transaction costs. To join the plurilateral agreement, New Zealand would have to engage in cumbersome bilateral, sector-by-sector negotiations with GPA members. McLeod doubted that those costs would be outweighed by the increased sales that New Zealand companies might realize from greater access to foreign government procurement markets.

¶4. (U) Ministry of Commerce policy does require that government departments obtain origin and local-content information on all offers to supply goods. The Labour government is funding a "Buy Kiwi-Made" program, as part of a post-election agreement with the Green Party, encouraging New Zealanders to buy locally made products and use local services, McLeod noted. However, the program would not affect government purchases.

¶5. (U) Further complicating the issue, the GPA would apply to procurement practices by state-owned enterprises and local governments -- practices over which the central government has no

jurisdiction, McLeod added.

¶6. (U) The Wellington Regional Chamber of Commerce has pushed for New Zealand's membership in the GPA. The chamber's chief executive officer, Charles Finny (a former GNZ trade negotiator), contends that membership would open a number of restricted government procurement markets to New Zealand's exporters, including the U.S. federal government's US \$200 billion market. McLeod conceded that, because of the chamber's pressure, the government decided to review its position on the GPA. The review is expected to be completed by year's end. Meanwhile, McLeod said the government had no intention of becoming an observer to the WTO GPA Committee.

¶7. (U) In its free-trade agreements, New Zealand has won varying access to its partners' procurement markets. As part of their Closer Economic Relations, New Zealand and Australia are committed to according each other's goods, services and suppliers equal treatment in their government purchasing. In the Trans-Pacific Strategic Economic Partnership Agreement between Brunei, Chile, New Zealand and Singapore, the parties made the same commitment, but specified entities and services covered by the agreement and set thresholds. The agreement applies only to procured goods above a value of 50,000 SDRs (IMF Special Drawing Rights, equivalent to about US \$34,000); services, 50,000 SDRs; and, construction, 5 million SDRs. The free-trade agreement between New Zealand and Thailand commits them to working toward eliminating barriers related to government procurement. Meanwhile, New Zealand is aiming to reach agreement on a multilateral approach to government procurement within the WTO system.

¶8. (SBU) While the Embassy has received no complaints from U.S. industry regarding access to New Zealand's government procurement market, we noted local media reports on the chamber's call for GPA membership and asked the Department whether we should raise the matter with the government. Based on the Department's advice that the USG encourages all WTO members to join the agreement, we

requested a briefing from the government. That briefing was provided May 19 by McLeod, senior adviser Tim Barber and policy analyst Bastiaan van der Scheer of the Ministry of Economic Development, as well as by Maria Alcalde, foreign policy officer in the Ministry of Foreign Affairs and Trade's trade negotiations division. Embassy will monitor the government's review and report developments.

MCCORMICK